Shivalik Agro Poly Products Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	12.00	CARE BBB; Stable	Reaffirmed
Short Term Bank Facilities	7.51	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Shivalik Agro Poly Products Limited (SAPPL) continues to derive strength from comfortable financial risk profile marked with overall gearing below unity and healthy coverage indicators in absence of any long-term borrowings, and strong liquidity position along with sufficient buffer in working capital limits owing to low utilisation. The ratings also factor in experienced directors having long track record of operations and established market position of the company. However, these rating strengths are partially offset by modest scale of operations and fluctuating profitability margins due to volatile nature of raw material prices. Further, the ratings continue to remain constrained by risk associated with elongated operating cycle, foreign exchange fluctuation risk, highly competitive and fragmented nature of industry with business risk associated with tender-based orders.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations as marked by total operating income of above Rs.200.00 crore on sustained basis.
- Improvement in profit before interest, lease, depreciation and tax (PBILDT) margin above 14% on a sustained basis.
- Improvement in the operating cycle of the company for less than 80 days.

Negative factors

- Any significant deterioration in the capital structure of the company as marked by overall gearing ratio of above 1.00x.
- Deterioration in the liquidity profile due to decline in unencumbered cash & bank balances of the company along with liquid investments below Rs.40.00 crore.
- Decline in scale of operations by more than 20% from envisaged level and decline in PBILDT margin below 10.00% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity shall sustain its stable business and financial risk profile due to its established market position, the cash flow support through liquid investments, absence of any large debt funded capex in the medium term and the vast experience of the promoters.

Detailed description of key rating drivers:

Key strengths

Comfortable capital structure and healthy coverage indicators

The company has low reliance on bank borrowings to meet its day-to-day operations owing to sufficient cash flow generation over the years, which results in lower utilization of debt and high net worth base providing liquidity support to the company. As on March 31, 2024, the debt profile of the company comprises of working capital bank borrowings of Rs.1.23 crore and LC backed creditors of Rs.0.81 crore against tangible net worth of Rs.111.86 crores. The capital structure of the company stood comfortable as marked by overall gearing ratio of 0.02x as on March 31, 2024 (PY: 0.01x). Further, the debt coverage indicators continue to remain healthy as marked by interest coverage ratio and total debt to GCA of 29.31x and 0.18x respectively, for FY24 as against 5.11x and 0.07x respectively, for FY23. Going forward, the financial risk profile is expected to remain comfortable in the near to medium term owing to limited debt levels and no capex envisaged.

Experienced directors having long track record of operations

The company is currently managed by Mr. Pankaj Kumar Mahajan, Mr. Gordhan Das Tyagi, Mrs. Alka Mahajan, Mrs. Priyanka Mahajan, Mr. Prateek Mahajan, Mr. Sanjay Gupta, Mr. Tushar Dasgupta, Mr. Venugopalan Mannil and Mr. Manbir Singh. Mr. Pankaj Kumar Mahajan (Chairman & Managing Director) is a graduate and associate Member of Institute of Marketing and Management. He also possesses an experience of nearly three decades in packaging industry through his association with this entity and looks after the overall operations of the company. He is well supported by Dr. Gordhan Das Tyagi who has done Ph. D. (Chemical Technology) and possess an experience of nearly three decades in packaging industry through his association with

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

this entity and looks after the technical and operations department of the company. Further, the directors are assisted by a team of qualified managerial personnel and technical team having relevant experience in their respective fields.

Established market position of the company
The four-and a half-decade-long presence of SAPPL has led to its established market position in polyethylene covers and has established as one of the key manufacturers of milk packaging printed polyethylene films in North India. The company has long standing relationships with its customers and suppliers, which has enabled the company to be a pre-qualified applicant for all the criteria required to participate in tenders floated by the various state government agencies which in turn has led to regular orders in the past. The ability of the company to procure high quality raw materials gives a competitive edge over other players, resulting in high operating efficiency.

Key weaknesses
Modest scale of operations with fluctuating profitability margins
SAPPL's scale of operations continue to remain modest as evident from total operating income (TOI) of Rs. 47.23 crore during FY24 (refers to the period from April 1 to March 31) (PY: Rs. 48.56 crore). The company used to generate major revenue in last quarter of every year, since large number of tenders related to poly covers are floated by State Govt. Undertaking Food procuring agencies, Punjab in the month of January to March every year which needs to get executed by the end of March. However, the same has not been floated leading to decline in the TOI in last two years and continues in the current year as well. Further, lower demand from existing client in chemical and poly films vertical also contributed in lower TOI in FY24.
Further, the profitability margins of the company improved in FY24 as marked by PBILDT margin of 10.10% (PY: 2.53%) due to decline in raw material prices. However, the same has still not recovered to past year levels owing to write-off of bad debts to the tune of Rs.3.22 crore in FY24 (PY: 3.49 crore).

Elongated operating cycle
The operations of the company continue to remain elongated as marked by operating cycle of 139 days for FY24 as against 184 days for FY23. SAPPL is required to maintain adequate inventory in the form of raw material to ensure smooth production process as well as maintain stock of finished products in order to meet the immediate demand of the customers which resulted in an average inventory holding period of around 62 days for FY24. The company has to offer liberal credit period between 3 to 4 months to its customers as majority of them are large sized players which possess high bargaining power as compared to SAPPL resulting in an average collection period of 86 days for FY24. The company receives an average credit period of around a month from its suppliers resulting in average creditor's period of 9 days for FY24.

Foreign exchange fluctuation risk
SAPPL meets ~13% of its raw material requirement through imports in FY24 (PY: 15%), while it sells its finished products in domestic market. With initial outlay for procurement in foreign currency and inflows in domestic currency, the company is exposed to volatility in foreign exchange rates. However, the company does not hedge its foreign currency exposure thus, profitability margins are exposed to volatility in foreign exchange. Moreover, any change in government policies, either domestic or international is likely to affect the company's revenues. The earnings are also susceptible to strict regulatory policies relating to tariff barriers (custom duty), non- tariffs barriers (restriction on the quality of imports), anti- dumping duties, international freight rates and port charges.

Susceptibility to fluctuations in raw material prices
Low-density polyethylene (LDPE) granules, High-density polyethylene (HDPE) granules, thinners, Methylene diphenyl diisocyanate (MDI), additives, etc. are the major raw materials required for the production. Since the basic raw materials are petrochemical derivatives, SAPPL is exposed to the risk of volatility in the prices of crude oil/natural gas which are primarily driven by international demand and supply scenario. Furthermore, the limited suppliers of these raw materials make it a sellers' market with limited bargaining power for buyers. Thus, profitability margins are susceptible to fluctuation in raw material prices. Though, the company tries to pass on the price volatility to the end users, any sudden adverse fluctuations in raw material prices may not be passed on to customers completely owing to company's presence in highly competitive industry and may adversely affect the profitability of the company. In the current year, oversupply of petrochemical capacity in China, US, and Middle East and lower demand in the international markets led to decline in the crude prices, the same might impact the margins of the company and therefore remains a key monitorable.

Highly competitive and fragmented nature of industry with business risk associated with tender-based orders
The Indian packaging industry is a competitive industry wherein there is combination of large, organised Indian and International companies and the unorganised small and medium local companies. The packaging industry has witnessed cyclicality in the past with large fluctuations in profitability margins of the manufacturers. The Indian manufacturers also have to compete with its Asian counterparts, in order to be cost-competitive not only for exports but also for domestic demand. Further, the company has to participate in the tenders, wherein they quote the bid and hence has to face the risk of successful bidding for the same. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Moreover, the tenders are mainly dependent on the budgetary fund allocations since, majority of tenders are received from government agencies namely State Govt. undertaking food procuring agencies, Food Corporation of India (FCI), State Govt. undertaking milk procuring agencies, Rail Coach Factory (Kapurthala, Chennai and Lalganj) and defence & refinery.

Liquidity: Strong

The liquidity position of the company is strong characterized by sufficient cushion in accruals vis-à-vis nil repayment obligations. The company has reported net cash accruals (NCA) to the extent of Rs.10.19 crore during FY24 and is expected to generate NCA of Rs.7.30 crore for FY25 against nil repayment obligations. Further, the average utilization of its working capital limits stood low at ~6% for the past 12 month's period ending January 2025. The company's liquidity profile is supported by buffer in unutilized working capital limits coupled with unencumbered bank balances in the form of fixed deposits to the tune of Rs. 58.11 crore and liquid investments in the form of mutual funds at Rs.8.24 crore as on March 31, 2024. With an overall gearing of 0.02x as on March 31, 2024, the company has sufficient gearing headroom, to raise additional debt for capex.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Wholesale Trading

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Petrochemicals

Shivalik Agro Poly Products Limited (SAPPL) was incorporated in December 1976 and is currently directed by Mr. Pankaj Kumar Mahajan, Mr. Gordhan Das Tyagi, Mrs. Alka Mahajan, Mrs. Priyanka Mahajan, Mr. Prateek Mahajan, Mr. Sanjay Gupta, Mr. Tushar Dasgupta, Mr. Venugopalan Mannil and Mr. Manbir Singh. The company is engaged in the manufacturing of black poly covers, tarpaulins, polyol systems and multilayer films. The company is also engaged in the trading of LDPE/HDPE sheets and chemicals which contributes ~5% of the total sales based on available opportunities. The manufacturing facility of the company is located at Parwanoo, Himachal Pradesh having an installed capacity to manufacture 7500 MT per annum of polythene films/ lay flat tubings & its fabricated items and 1800 MT per annum of polyol systems as on March 31, 2024. The company sell its products mainly through tenders (around ~90% of income is derived from tender business) received from government agencies namely State Govt. undertaking Food procuring agencies, Food Corporation of India (FCI), State Govt. undertaking milk procuring agencies, Rail Coach Factory (Kapurthala, Chennai and Lalganj) and defence & refinery and remaining through wholesalers and other manufacturers operating in the food and agro-based industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	48.56	47.23	27.92
PBILDT	1.23	4.77	2.67
PAT	9.44	10.18	4.68
Overall gearing (times)	0.01	0.02	NA
Interest coverage (times)	5.11	29.31	24.27

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BBB; Stable
Non-fund-based - ST-BG/LC		-	-	-	7.51	CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	12.00	CARE BBB; Stable	-	1)CARE BBB; Stable (26-Mar-24)	1)CARE BBB+; Stable (30-Mar-23)	1)CARE BBB+; Stable (17-Mar-22) 2)CARE BBB+; Stable (22-Apr-21)
2	Non-fund-based - ST-BG/LC	ST	7.51	CARE A3+	-	1)CARE A3+ (26-Mar-24)	1)CARE A2+ (30-Mar-23)	1)CARE A2+ (17-Mar-22) 2)CARE A2+ (22-Apr-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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